

Message Text

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ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 EB-11 COME-00 SS-20 NSC-07 SSO-00

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FM USLO PEKING

TO SECSTATE WASHDC IMMEDIATE 1828

INFO AMCONSUL HONG KONG

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PASS AGRICULTURE FOR GOODMAN AND BELL

E.O. 11652: N/A

TAGS: EAGR ETRD CH US

SUBJECT: TCK WHEAT DISCUSSIONS

1. SHIPPERS HAVE MADE RETURN FLIGHT RESERVATIONS FOR USDA CONTINGENT, VIA PARIS, LEAVING PEKING WEDNESDAY AM.
2. OUR ASSESSMENT IS THAT BARRING SOME UNEXPECTED NEW QUESTION RAISED BY PRC LATER TODAY OR TUESDAY, TECHNICAL ASPECT OF DISCUSSIONS HAS BEEN EXHAUSTED. WE HAVE OF COURSE NOT OFFERED THAT USDA IS READY TO CHANGE ITS EXISTING PYOTO PROCEDURE, BUT AS WILL BE CLEAR FROM SEPTTEL REPORTING ON MONDAY AM MEETING, THE POSSIBILITY OF NEW PHYTO HAS BEEN MENTIONED. IN DOING SO, WE HAVE MADE CLEAR THAT USDA WILL BE VERY INTERESTED IN CEROILFOOD RESPONSE TO SHIPPERS' REQUEST, I.E., THAT PRC RIGHT TO REJECTION AT DESTINATION BE WAIVED.
3. IT WOULD OF COURSE AID IN THE PROGRESS OF TRADAX/ DREYFUS TALKS HERE IF DEFINITE OFFER CAN BE MADE ON THIS VISIT. IF AUTHORITY FOR SUCH OFFER IS QUITE IMMINENT, AND IF USDA PRESENCE IS REQUIRED AT SUCH POINT, SOME OR

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IF NECESSARY ALL OF USDA CONTINGENT COULD REMAIN UNTIL

SUCH OFFER AUTHORIZED AND CAN BE PRESENTED.

4. FROM OUR SIDE, HOWEVER, WE EXPECT THAT SOME ADDITIONAL TIME FOR INTENSIVE PREPARATION AND INDUSTRY - USDA CONSULTATION MAY WELL BE NECESSARY. FOR EXAMPLE, DREYFUS/ TRADAX VIEW MIGHT BE IMMEDIATELY FAVORABLE, BUT APPEARS VERY POSSIBLE THAT ONE OR MORE OTHER SHIPPERS MAY FEEL EITHER THAT THEY ALREADY HAVE A SATISFACTORY UNDERSTANDING WITH CEROILFOOD OR THAT THEY SEE RISK OF FUTURE REJECTIONS AS MINIMAL. A COMPLICATION ON THIS POINT IS WHETHER REJECTION RIGHT IS OR IS NOT IMPLIED IN EXISTING CONTRACTS. OUR INTERPRETATION IS THAT NO SHIPPER IS FREE OF PRC REJECTION RIGHT UNLESS IT IS EXPRESSLY WAIVED IN THE CONTRACT. TRADAX/DREYFUS BY HAVING ALREADY ACCEPTED REJECTION ACTION APPARENTLY ACCEPT THIS, BUT OTHER SHIPPERS MAY THINK THERE WILL YET BE SOME WAY TO GET BY.

5. IT MAY ALSO BE NECESSARY, BEFORE OBTAINING CONCURRENCE "ALL" SHIPPERS OF US WHEAT TO PRC, TO HAVE INTENSIVE REVIEWS OF WHAT THE ACTUAL RISKS WOULD BE OF FACING REJECTION ON US SIDE DUE TO PHYTO BASED ON TEST WITH REIGIDITY EQUAL TO THAT BEING USED ON PRC SIDE. WE FORWARDING SEPTTEL THE DATA WHICH DEVELOPED HERE ON THIS POINT, BUT RECOGNIZE FROM IDSUCSSIONS WITH TRADAX/DREYFUS REPS HERE THAT FURTHER TESTING OF FILE SAMPLES MIGHT BE NEEDED TO SATISFY THOSE SHIPPERS, IF ANY, WHO CANNOT AT FIRST ACCEPT RIGID PHYTO APPROACH.

6. IN SEPTTEL WE ARE QUESTIONING THE NECESSITY FOR CONDITIONING RIGID US PHYTO UPON CONCURRENCE OF "ALL SHIPPERS." NEVERTHELESS, IF THIS CONDITION OF UNANIMOUS CONCURRENCE REMAINS, AND IF IT SHOULD APPEAR LIKELY TO RESULT IN POSSIBLE DELAYS ENVISIONED ABOVE, THE WEDNESDAY DEPARTURE MAY BE BEST COURSE, ESPECIALLY SINCE USDA PEOPLE HERE WOULD PROBABLY BE ONLY ONES IN POSITION DEVELOP DATA AND DETAILS NECESSARY TO ALLAY SHIPPERS RESERVATIONS.

7. IN EVENT OF DEPARTURE WEDNESDAY DUE TO INABILITY TO PRESENT DEFINITE USDA OFFER,
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SHIPPERS WOULD INDICATE TO THE CHINESE, PRIOR TO USDA REPS DEPARTURE, THAT ANY NEW USDA FINDINGS WOULD BE CONVEYED TO PRC BY SHIPPERS, BUT THAT IF DEEMED NECESSARY USDA REPS WOULD BE PREPARED TO RETURN.
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